

# **CHAPTER 9**

## ***FINANCIAL PROGRAM***

## 9.1 PAST AND PRESENT FINANCIAL STATUS

Development of a comprehensive financial program requires an understanding of the water system's current financial status and past budgetary trends. Presented below in Table 9-1 is the Water Department Operating Fund (Fund 411) balance history for the last six-year period. Also provided below in Table 9-2 are the Water Reserve Fund (461) balances for the past six years. The Public Works Trust Fund Loan balance for the past six-year period is included as a separate line item within the Water Operating Fund Balance as shown in Table 9-1. Similarly, the Water Reserve Fund balances have been divided into separate line items to more closely track changes in fund balances and where funds are used.

<b>TABLE 9-1 WATER OPERATING FUND 411 BALANCES</b>						
	2001	2002	2003	2004	2005	2006
Beginning Operating Fund Balance	259,006	174,706	364,999	184,580	172,952	90,659
Beginning PWTF Loan Balance	0	2,253,018	1,709,287	1,686,005	945,350	0
<b>Total Beginning Fund Balance</b>	259,006	2,427,724	2,074,286	1,870,585	1,118,302	90,659
Ending Operating Fund Balance	188,419	157,835	221,149	172,952	90,659	268,645
Ending PWTF Loan Balance	2,239,305	1,916,451	1,649,436	945,350	0	0
<b>Total Ending Fund Balance</b>	2,427,724	2,074,286	1,870,585	1,118,302	90,659	268,645

<b>TABLE 9-2 WATER RESERVE FUND 461 BALANCES</b>						
	2001	2002	2003	2004	2005	2006
Water Reserve Beginning Fund Balance	49,826	524,363	537,661	536,315	463,436	365,918
Reservoir Replacement Beginning Fund Balance	0	0	0	0	0	0
<b>Total Beginning Fund Balance</b>	49,826	524,363	537,661	536,315	463,436	365,918
Investment Interest	3,082	18,193	14,915	8,170	13,908	19,782
Operating Transfers In	464,000	0	17,639	0	14,097	0
Misc. Transfers In.	7,454	11,489	12,016	15,565	11,477	70,189
Subtotal Reserve Fund Resources	474,536	29,682	44,570	23,735	39,482	89,971
Operating Transfers Out	0	16,383	45,916	96,613	137,000	0
Subtotal Transfers Out	0	16,383	45,916	96,613	137,000	0
Water Reserve Ending Fund Balance	524,362	537,661	536,315	463,436	365,918	399,577
Reservoir Replacement Ending Fund Balance	0	0	0	0	0	56,312
<b>Total Ending Fund Balance</b>	524,363	537,661	536,315	463,436	365,918	455,889

Summaries of annual water system revenues and expenditures for the years 2001 through 2006 are provided in Tables 9-3 and 9-4, respectively.

Although the account balances have remained positive, construction of the recommended system improvements presented in Table 8-1 requires a close examination of the City's future financial plan and rate structure. Funding has been secured for the largest of the recommended system improvements (construction of Well No. 8 and Zone 3 transmission main), but many of the other recommended system improvements will have to be paid for by City's water funds or alternative funding sources will have to be researched.

<b>TABLE 9-3 WATER DEPARTMENT REVENUES</b>						
	2001	2002	2003	2004	2005	2006
<b>OPERATING REVENUES</b>						
Charges for Services	975,170	935,973	881,394	925,171	952,768	1,314,125
Connection Fees	15,980	22,450	27,280	31,720	28,900	33,242
On/Off Charges	3,097	3,521	3,447	4,043	3,453	3,715
Other Charges	12,794	12,922	14,587	15,180	15,778	16,598
Total Operating Revenue	1,007,041	974,866	926,708	976,114	1,000,899	1,367,680
<b>MISCELLANEOUS INCOME</b>						
Interest	47,168	75,490	57,716	36,753	20,312	3,625
Transfers In	0	0	62,582	106,613	144,838	0
Miscellaneous	4,035	7,302	4,260	76,490	11,594	37,434
Total Miscellaneous Income	51,203	82,792	124,558	219,856	176,744	41,059
<b>OTHER FINANCING SOURCES</b>						
PWTF Loan	3,019,005	0	0	0	0	158,895
Grants	0	0	0	0	0	0
Total Other Funding Sources	3,019,005	0	0	0	0	158,895
<b>TOTAL REVENUES</b>	<b>4,077,249</b>	<b>1,057,658</b>	<b>1,051,266</b>	<b>1,195,970</b>	<b>1,177,643</b>	<b>1,567,634</b>

<b>TABLE 9-4 WATER DEPARTMENT EXPENDITURES</b>						
	2001	2002	2003	2004	2005	2006
<b>OPERATING EXPENDITURES</b>						
Salaries and Wages	179,825	202,658	209,812	235,087	242,101	246,903
Personnel Benefits	57,514	64,546	65,979	75,856	76,372	79,066
Supplies	56,971	53,260	51,781	58,621	69,150	75,471
Other Services & Charges	179,314	171,033	214,679	203,469	192,295	218,025
Intergovernmental Services, Taxes	103,896	103,883	98,015	103,245	106,154	142,605
Total Operating Expenditure	577,520	595,380	640,266	676,278	686,072	762,070
<b>CAPITAL OUTLAY</b>						
Machinery & Equipment	9,629	87,242	31,285	18,522	12,404	213
Construction Projects	770,071	543,733	216,670	872,454	1,141,136	285,898
Miscellaneous	0	0	0	11,825	0	0
Total Capital Outlay	779,700	630,975	247,955	902,801	1,153,540	286,111
<b>DEBT SERVICE AND TRANSFERS OUT</b>						
Miscellaneous Improvements	2,343	1,318	1,524	2,582	2,700	2,700
PWTF Loan Payment	0	25,410	189,085	187,496	185,907	184,318
Local Access Street Improvements	0	10,000	15,000	20,000	20,000	0
Public Works Equipment Reserve	0	5,000	15,000	15,000	15,000	10,000
Utility Maintenance Facility	15,000	75,000	80,000	75,000	75,000	75,000
Water/Sewer Bond Red.	69,969	68,010	66,138	69,093	67,067	69,450
Water Reserve	464,000	0	0	0	0	0
Total Debt/Transfers	551,312	184,738	366,747	369,171	365,674	341,468
<b>TOTAL EXPENDITURES</b>	<b>1,908,532</b>	<b>1,411,093</b>	<b>1,254,968</b>	<b>1,948,250</b>	<b>2,205,286</b>	<b>1,389,649</b>

## **9.2 AVAILABLE REVENUE SOURCE**

Recommended system improvements are scheduled for completion in annual increments for the next six years. In addition, as areas outside the current service area develop, extension of the City's water system will be necessary. Future transmission mains, sources of supply and reservoirs will undoubtedly require major local bond funding and/or outside funding participation to offset the high costs of the improvements.

There are five basic categories of potential financing for domestic water-related improvements:

1. Local Public Enterprise Funds
2. Use of Local Public Powers
3. State Assisted or Guaranteed Resources
4. Federally Assisted or Guaranteed Resources
5. Private Development

Current availability of funding is limited with a number of the sources within these categories. Many also restrict the use of funds to certain projects and others limit their participation to a percentage of the total cost. Each of these categories is described briefly below.

### **1. Local Public Enterprise Funds**

Reserves in the Enterprise Fund are accumulated from available revenues from water user fees. The amount of the reserves will depend on the balance of operation and maintenance costs of the system versus total revenue generated by the fees. These reserves may be used to finance any water system related project allocated by the City Council.

Funds for future projects may be generated by increases in user fees, thus building the reserves in the Enterprise Fund. This method of financing is desirable, in that the City is collecting interest on the reserves as opposed to paying interest on a loan balance. ("Pay as you go.")

### **2. Use of Local Public Powers**

In this section, three primary bonding techniques will be presented: general obligation bonds, revenue bonds, and special assessment bonds. There are advantages and disadvantages to each. The type of bond issued to finance a community improvement depends in part on custom, and in part on the circumstances of a particular offering. General information about the three principal types of municipal bonds follows.

General Obligation Bonds: These bonds pledge the unlimited taxing power and the full faith and credit of the issuing government to meet the required principal and interest payments.

Special Assessment Bonds (LID Bonds): LID bonds are used to finance improvements where the property specially benefited can be identified. Special assessment bonds are frequently used to make capital improvements in a particular neighborhood. Principal and interest payments for these bonds are made by special assessment on the property benefiting from the improvement. Before special assessment bonds are issued, estimated costs are mailed to property owners, a public hearing is held to allow the affected property owners to say whether or not they want the improvement, and a thirty-day protest period elapses during which property owners may protest the improvements prior to City Council action formally establishing the project. Debt financed by special assessment bonds is not subject to debt limitations.

Revenue Bonds: Revenue bonds are frequently used to finance City-owned utilities, industrial parks, and other municipal public facilities. The bonds pledge the revenue from a particular revenue source to meet the principal and interest payments. Revenue bonds are appropriate debt instruments when the enterprise fund can be expected to generate sufficient revenue to meet both operating and debt service cost. Revenue bonds generally do not become a general obligation of the government issuing them.

Communities may have to pay higher rates of interest on these bonds than on general obligation bonds, because revenue bonds are considered less secure. But, revenue bonds also have an important advantage over general obligation bonds in that the amount of the revenue bonds is not included in the amount of indebtedness subject to state debt limitations. The legal requirements for issuing revenue bonds are more complex than those for issuing general obligation bonds. When revenue bonds are issued, a special authority (Water Fund) operates the facility and a special revenue fund receives and disburses all funds. A trust agreement to provide for the monthly reimbursement of revenues and containing provisions to protect the bond holders must be formulated.

### 3. **State Assisted or Guaranteed Resources**

Public Works Trust Fund: This fund was created in 1985 to provide loans for replacement of public works facilities. Applications for construction funds may be submitted once each year (in May), and applications for pre-construction funds (for such items as engineering design, bid document preparation, right of way acquisition and environmental studies) may be submitted once each month. Projects are evaluated based on:

- a. Merits of the project as to need;
- b. Degree of capital improvement planning;
- c. Adequacy of existing rate structure;
- d. Degree of local participation in financing project; and
- e. Whether the area is economically distressed.

Current allocations of funds have been allowed for a wide variety of projects, including domestic water system replacement projects.

State Revolving Fund: This fund provides low-interest loans to publicly and privately owned water systems for projects which improve water systems and ensure public health. Up to 100% of eligible project costs are fundable through this program. Applications are accepted once a year in May.

### 4. **Federally Assisted or Guaranteed Resources**

Three federally financed funding sources are available for domestic water system construction: 1) the USDA's Rural Development, Rural Utilities Service (RUS) Program; 2) the Economic Development Administration's (EDA) Public Works Grants and Loans Program; and 3) the Department of Housing and Urban Development's (HUD) Community Development Block Grants administered by the State Department of Community Development.

Rural Utilities Service Water & Waste Disposal Direct Loans and Grants Program: This program is one of several programs established by the USDA to provide public works assistance to small communities in rural areas. Public entities such as municipalities, counties, special purpose districts or authorities, Indian tribes, and nonprofit corporations or cooperatives are eligible in areas with a population under 10,000. Priority will be given to public entities in areas smaller than 5,500 people to restore a deteriorating water supply, or to improve, enlarge, or modify a water facility. Preference will also be given to requests which involve the merging of small facilities and those serving low-income communities. Loans and grant funds may be used to construct, repair, improve, expand, or otherwise modify rural water supply and distribution, including reservoirs, pipelines, wells, and pumping stations. Targeted at the most needy communities, grants are designed to keep costs economical. Grants are limited to reducing the facility's per user costs for debt service to a minimum of 1% of the area's family income. Loans in the past have also been available at a 5% interest rate for the useful life of the facility, or the statutory limit on the applicant's borrowing authority, or for a maximum of 40 years.

Public Works Grants and Loans Program: This program is funded by the Economic Development Administration (EDA) and is used to encourage long-range development gains in jurisdictions where economic growth is lagging, or where the economic base is shifting.

The program provides public works and development facilities needed to attract new industry and provide business expansion.

Financial aid may be used to acquire and develop land and improvements for public works, and to acquire, construct, rehabilitate, alter, expand or improve such facilities, including related machinery and equipment. When completed, such projects are expected to bring additional private investment to the area.

U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant Program: This program is administered by the State Department of Community Development. Communities with a population under 50,000 can apply for grants to undertake activities in providing adequate housing, expanded economic opportunities, and correcting deficiencies in public facilities which affect public safety and health of an area or community of residents. The program is designed to aid low and moderate income people and is also directed to have a maximum impact on stated community problems. Its primary focus is to assist blighted communities, or communities suffering a particular community or economic development problem.

## **5. Private Development**

Expansion of domestic water facilities to newly developing areas outside the existing service area is a common requirement of the private developer. Installation of public utilities within housing subdivisions is normally financed entirely by the developer. The City may participate by paying the cost of over-sizing the water main for possible extension at a later time.

### Summary:

Although funding has been curtailed in a number of programs within the last few years, projects are still receiving financing statewide. Competition for available funds, however, has increased significantly. Projects which show the greatest need and have the largest local funding participation or benefit to low-income families are receiving the majority of financing from these programs. Careful planning and packaging of the project is necessary so that the most effective dollar use, including local participation, may obtain the maximum benefit for the greatest number of people.

Table 9-5 provides a summary of funding sources and projects which are eligible under each program.

<b>TABLE 9-5 FUNDING SOURCE SUMMARY</b>	
<b>FUNDING SOURCE</b>	<b>ELIGIBLE PROJECTS</b>
Domestic Water Enterprise Fund	All water system projects
General Obligation Bond	All water system projects
Revenue Bond	All water system projects
Special Assessment Bond	Local Improvement District projects
Public Works Trust Fund	Replacement of existing water system facilities
State Revolving Fund	All water system projects
USDA RUS Rural Water Grant	All water system projects
USDA RUS Rural Water Loan	All water system projects
EDA Public Works Grant	Water system projects to attract new industries and provide for business expansion
EDA Public Works Loan	Water system projects to attract new industries and provide for business expansion
HUD Community Development Block Grant	Water system projects which directly benefit low and moderate-income families
Private Development	All water system projects necessary for new housing and/or commercial developments

### **9.3 RECOMMENDED FINANCING STRATEGY**

Provided in Table 9-6 and Table 9-7 is a financial program which incorporates projected operations, improvements, and loan costs for the next six-year period. The values for 2007 were projected from the current revenues and expenditures through September 2007, and the 2008 values are based upon the amounts budgeted by the City in 2007.

The projected water department revenue from water service fees after 2008 includes a growth factor, similar to the projected City growth discussed in Chapter 2 of this plan. The growth percentage is in addition to the recommended water rate increase for that year. If no growth or reduced growth occurs in any of the proposed financial program years, the financial program shown in Table 9-6 will have to be revised to account for the reduced revenue, or modifications to the proposed rate increases will have to be made. Future water department expenses were estimated based upon an average inflation rate of three percent per year.

An annual review of the water system's financial program is conducted during each year's City budget preparation process. Adjustments to the proposed financial program can be made at this time to reflect current financial conditions. The financial program will also be reviewed and revised as needed during the Comprehensive Water Plan update in 2013.



**TABLE 9-6 WATER SYSTEM OPERATING FUND (411) PROPOSED FINANCIAL PROGRAM**

Year	2007	2008	2009	2010	2011	2012
Beginning Operating Fund (411) Balance	268,645	455,334	169,553	178,847	188,040	182,334
Water Service Fees (2% Growth per Year + Rate Increase)	1,326,000	1,315,000	1,381,000	1,450,000	1,523,000	1,600,000
Miscellaneous Revenue <sup>a</sup>	87,500	73,000	74,000	75,000	76,000	77,000
Misc. Transfers Into Operating	15,500	91,000	0	0	0	0
Water Reserve Fund (461) Transfers In	0	420,000	0	0	75,000	0
PWTF Loan Proceeds	0	0	0	0	0	0
DWSRF Loan Proceeds	0	1,449,685 <sup>b</sup>	0	0	0	0
<b>Total Operating Fund (411) Revenue</b>	<b>1,429,000</b>	<b>3,348,685</b>	<b>1,455,000</b>	<b>1,525,000</b>	<b>1,674,000</b>	<b>1,677,000</b>
Water Operations						
Water Department Expenses <sup>c</sup>	793,000	775,000	799,000	823,000	848,000	874,000
Machinery, Equipment & Misc. <sup>c</sup>	31,000	10,000	11,000	12,000	13,000	14,000
Misc. Capital Improvements	0	0	10,000	10,000	10,000	10,000
Major Capital Improvements <sup>c</sup>	47,000	2,421,100	0	137,600	338,000	308,400
Subtotal Water Operations	871,000	3,206,100	820,000	982,600	1,209,000	1,206,400
Operating (411) Transfers Out						
Fund 115 – Local Acq. St. Impr.	0	5,000	5,000	5,000	5,000	5,000
Fund 171 – PW Equip. Res.	10,000	15,000	15,000	15,000	15,000	15,000
Fund 321 – Utility Maint. Facility	100,000	100,000	100,000	100,000	100,000	100,000
Fund 452 – W/S Bond Red.	66,894	69,150	69,150	69,150	69,150	69,150
Fund 461 – Water Reserve	0	46,000	150,000	60,000	0	0
Subtotal Operating (411) Transfer Out	176,894	235,150	339,150	249,150	189,150	209,150
Operating (411) Debt Service						
PWTF Loan	194,417	193,216	191,521	189,827	188,132	186,437
Future SRF Loan	0	0	95,035	94,230	93,424	92,619
Subtotal Operating (411) Debt Service	194,417	193,216	286,556	284,057	281,556	279,056
<b>Total Operating Fund (411) Expenditures</b>	<b>1,242,311</b>	<b>3,634,466</b>	<b>1,445,706</b>	<b>1,515,807</b>	<b>1,679,706</b>	<b>1,674,606</b>
Ending Operating Fund (411) Balance	455,334	169,553	178,847	188,040	182,334	184,728
Net Fund Increase (Decrease)	186,689	(285,781)	9,294	9,193	(5,706)	2,394
Projected Rate Increase at Start of Year	4%	3%	3%	3%	3%	3%

<sup>a</sup> 2008 estimated miscellaneous revenue, plus 2% growth.

<sup>b</sup> Assumes initial DWSRF loan draw after October 1, 2008 to defer first payment to year 2009.

<sup>c</sup> Includes 3% inflation per year.

<b>TABLE 9-7 WATER SYSTEM RESERVE FUND (461) PROPOSED FINANCIAL PROGRAM</b>						
Year	2007	2008	2009	2010	2011	2012
Beginning Reserve Fund (461) Balance	399,577	416,468	62,468	214,568	282,068	216,868
Beginning Reservoir Replacement Fund Balance	56,312	101,673	157,673	213,173	270,573	329,973
<b>TOTAL BEGINNING FUND BALANCE</b>	455,889	518,141	220,141	427,741	552,641	546,841
Reserve Fund (461) Resources						
Reserve Fund (461) Invest. Interest	16,891	20,000	2,100	7,500	9,800	7,500
Operating Fund (411) Transfers In	0	46,000	150,000	60,000	0	0
Subtotal Reserve Fund (461) Resources	16,891	66,000	152,100	67,500	9,800	7,500
Reservoir Replacement Fund Revenue						
Invest. Fee & Cap. Cost Recovery Fee	45,361	56,000	50,000	50,000	50,000	50,000
Investment Interest	0	0	5,500	7,400	9,400	11,000
Subtotal Res. Replace. Fund Revenue	45,361	56,000	55,500	57,400	59,400	61,000
<b>Total Reserve Fund (461) Resources</b>	62,252	122,000	207,600	124,900	69,200	68,500
Reserve Fund (461) Transfers Out	0	420,000	0	0	75,000	0
Reservoir Replace. Fund Transfers Out	0	0	0	0	0	0
<b>Total Reserve Fund (461) Transfers Out</b>	0	420,000	0	0	75,000	0
Ending Reserve Fund ( 461) Balance	416,468	62,468	214,568	282,068	216,868	224,368
Ending Reservoir Replacement Fund Balance	101,673	157,673	213,173	270,573	329,973	390,973
<b>TOTAL ENDING FUND BALANCE</b>	518,141	220,141	427,741	552,641	546,841	615,341
Net Fund Increase (Decrease)	62,252	(298,000)	207,600	124,900	(5,800)	68,500

# **CHAPTER 10**

## ***MISCELLANEOUS DOCUMENTS***

## **10.1 MISCELLANEOUS DOCUMENTS**

State Environmental Policy Act (SEPA) Checklist

Determination of Non-Significance (DNS)

Water Facility Inventory

Consumer Meeting & Water System Plan Adoption

2007 Water Quality Monitoring Report

City of Selah Water Code, Ordinances, and Resolutions

Chapter 9.02 Municipal Water Supply

Chapter 9.15 Outside City Limits Service Policy

Ordinance 1137 Cross-Connection Control Program Ordinance (March 1994)

Ordinance 1291 Water Utility Service Rate Revision (December 1999)

Ordinance 1341 Regional Wellhead Protection Program Interlocal Agreement (November 2000)

Ordinance 1343 Regional Wellhead Protection Program Adoption (November 2000)

Ordinance 1449 Plant Investment Fee (August 1999)

Ordinance 1450 Utility Latecomer Agreements (August 1999)

Ordinance 1674 Reservoir Capacity Capital Cost Recovery Program No. 1 (January 2006)

Ordinance 1675 Reservoir Water Pressure Capital Cost Recovery Area (January 2006)

Resolution 1741 Resolution Revising Rates for Water Utility Services (December 2006)

Extension by Developers Policy

Conservation Checklist

Municipal Water Law Attachments

Watershed Plan Coordination and Consistency Statement

Regional Wellhead Protection Committee Notification Letters

Property Deeds and Protective Well Covenants

Well No. 3

Well No. 4

Well No. 5

Well No. 6

Well No. 7

Well Logs

Well No. 3

Well No. 4

Well No. 5

Well No. 6

Well No. 7

Water Rights

Well No. 1

Well No. 2

Well No. 3

Well No. 4

Well No. 5

Well No. 6

Well No. 7

Water Rights Self Assessment: Existing Water Right(s) Status

Water Rights Self Assessment: 6-Year Forecasted Water Right(s) Status

Water Rights Self Assessment: 20-Year Forecasted Water Right(s) Status

Susceptibility Assessment Forms

Well Nos. 3 & 4

Well No. 5

Well No. 6  
Well No. 7  
USGS Geology Report  
Coliform Monitoring Plan  
Disinfection Byproducts Monitoring Plan  
Accident Prevention and Safety Program  
Chlorine Safety Plan  
Hazard Communication Program  
Confined Space Entry Safety Program  
Cross-Connection Control Policy and Procedures  
2006 Cross-Connection Control Program Summary Report  
2007 Consumer Confidence Report  
Inorganic Chemical Analysis  
    Well Nos. 3 & 4  
    Well No. 5  
    Well No. 6  
    Well No. 7  
Nitrate and Nitrite Chemical Analysis  
    Well Nos. 3 & 4  
    Well No. 5  
    Well No. 6  
    Well No. 7  
Volatile Organic Chemical Analysis  
    Well Nos. 3 & 4  
    Well No. 5  
    Well No. 6  
    Well No. 7  
Synthetic Organic Chemical Analysis  
    Well No. 5  
    Well No. 6  
Radionuclide Analysis  
    Well Nos. 3 & 4  
    Well No. 5  
    Well No. 6  
    Well No. 7  
Lead & Copper Chemical Analysis  
Disinfection Byproducts Chemical Analysis  
Bacteriological Analysis  
Computer Printout of Hydraulic Analysis Results  
Telemetry Control System Screen Print-Outs  
City of Selah Standard Specifications  
Water System Complaint Response Form  
Map A - Existing Water System  
Map B - Hydraulic Analysis Nodes and Pipes